

Message Text

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INR-07 L-03 NSAE-00 NSC-05 PA-01 PRS-01 SP-02 SS-15

USIA-06 TRSE-00 OMB-01 EB-07 /067 W

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P R 281457Z JUL 76

FM AMEMBASSY LONDON

TO SECSTATE WASHDC PRIORITY 4032

INFO AMEMBASSY BONN

AMEMBASSY BRUSSELS

AMEMBASSY COPENHAGEN

AMEMBASSY DUBLIN

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E.O. 11652: N/A

TAGS: PGOV, PINT, UK

SUBJ: ELEMENTS IN A THREATENED CLIFF-HANGER

REF: LONDON 11366

1. SUMMARY: THE POSSIBILITY OF A CLIFF-HANGER VOTE ON NATIONALIZATION BILL UNDER GUILLOTINE IS GROWING. SCOT NATS HAVE ANNOUNCED THEY WILL OPPOSE GOVERNMENT IN FINAL READING JULY 29, WELSH NATS ARE AS YET UNCOMMITTED, AND TWO SCOTTISH LABOR PARTY MEMBERS ANNOUNCED THEY WILL NO LONGER ACCEPT GOVERNMENT WHIP. PARLIAMENTARY ARITHMETIC SUGGESTS GOVERNMENT MAY SQUEAK THROUGH, BUT VOTE COULD BE LOST DEPENDING ON ILLNESSES OR OTHER ABSENTEES.

2. OBJECTIONS OF LABOR LEFT AND OF SOME TRADE UNIONISTS

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TO CUTS IN PUBLIC EXPENDITURES CONTINUE, WILL PROBABLY

BE INTENSIFIED AS A RESULT OF A MEETING OF NATIONAL EXECUTIVE COMMITTEE OF THE LABOR PARTY JULY 28, AND MAY BE A DISTURBING ELEMENT IN SCHEDULED VOTE. VOICES OF THE LEFT APPEARED TO HAVE HAD LITTLE RESONANCE IN LIAISON MEETING BETWEEN LABOR PARTY AND TUC JULY 26. END SUMMARY.

3. GOVERNMENT IS FACING AN INCIPIENT CLIFF-HANGER ON VOTE JULY 29 OVER NATIONALIZATION OF SHIPBUILDING AND AIRCRAFT INDUSTRIES. MAIN ELEMENTS IN THE GOVERNMENT'S DIFFICULTIES ARE: (A) ANNOUNCEMENT THAT SCOTTISH NATIONALISTS WOULD OPPOSE GOVERNMENT ON NATIONALIZATION VOTE (THEY HAD ABSTAINED ON LAST WEEK'S VOTE ON GUILLOTINE MOTION ON NATIONALIZATION); (B) POSSIBLE OPPOSITION TO NATIONALIZATION BILL OR ABSTENTION BY TWO MEMBER-STRONG SCOTTISH LABOR PARTY; AND (C) UNCERTAINTY AS TO POSITION OF WELSH NATIONALISTS WHO EARLIER HAD ALSO ABSTAINED ON GUILLOTINE VOTE.

4. WE EXPECT THAT VOTING PATTERN ON JULY 29 WILL LIKELY PARALLEL THAT OF GUILLOTINE MOTION JULY 22 (REFTEL). GOVERNMENT WON THAT VOTE 311-294 FOR A MAJORITY OF 17, BUT GOVERNMENT MAJORITY ON A LIBERAL AMENDMENT TO THE GUILLOTINE MOTION WAS ONLY 6.

5. GOVERNMENT STRATEGY ON NATIONALIZATION VOTE IS BEING WORKED OUT WITH CONTINUING DISSENSION OVER CUTS IN PUBLIC EXPENDITURE HOVERING IN BACKGROUND. AT MEETING OF LIAISON COMMITTEE (LABOR PARTY AND TUC) ON JULY 26, OPPOSITION TO CUTS IN PUBLIC EXPENDITURE LAY BEHIND EFFORTS OF THREE VOCAL MEMBERS OF LEFT GROUP (BARBARA CASTLE, JUDITH HART AND IAN MIKARDO) TO FORCE PARTY EXECUTIVE TO RETHINK POLICY ON PROPOSED CUTS. LIAISON COMMITTEE WAS ENGAGED IN DISCUSSION OF OUTLINE OF DOCUMENT ON "NEW SOCIAL CONTRACT" FOR DISCUSSION AT UPCOMING TUC AND LABOR PARTY CONFERENCES. TUC REPRESENTATIVES AT MEETING HEADED BY LEN MURRAY, JACK JONES AND DAVID BASNETT REPORTEDLY CARRIED GOVERNMENT BURDEN IN ATTACKING LABOR LEFT. PRIME MINISTER ATTENDED MEETING BUT APPARENTLY WAS NOT ACTIVE IN THE ACRIMONIOUS DISCUSSION.

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6. NATIONAL EXECUTIVE OF THE LABOR PARTY IS SCHEDULED TO MEET JULY 28 WHEN ISSUE WILL BE RAISED AGAIN. WE EXPECT THAT CALLAGHAN WILL BE SUCCESSFUL IN CONTAINING THE WRATH OF THOSE OPPOSED TO CUTS. OVER THE WEEKEND, TONY BENN, MICHAEL FOOT AND PETER SHORE WERE URGED BY LEFT-WINGERS TO RESIGN FROM THE CABINET ON THE EXPENDITURE ISSUE, BUT WE EXPECT PARTY AND CABINET LOYALTY TO PREVAIL.

7. CONSERVATIVES CONTINUE TO EQUIVOCATE BETWEEN COMPLETE SUPPORT OF THE CUTS AND CRITICISM BECAUSE OF CUTS IN DEFENSE SPENDING AND BECAUSE OF REVENUE-RAISING PORTION OF HEALEY PACKAGE. SIR KEITH JOSEPH ATTACKED CUTS OVER WEEKEND AS "TOO LITTLE, TOO LATE". CONSERVATIVE POSITION, IN FINAL ANALYSIS, WILL BE DETERMINED BY SHAPE IN WHICH PARLIAMENT IS ASKED TO ENDORSE OR ACKNOWLEDGE CHANCELLOR'S STATEMENT.

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IN A SPEECH TO CONSERVATIVE MPS JULY 23, LEADER OF THE OPPOSITION THATCHER HIGHLIGHTED THE PROBLEMS THE GOVERNMENT FACES AND ITS TENUOUS CONTROL OVER THE SITUATION. SHE

ALSO SUGGESTED THE LIKELIHOOD THAT THE CUTS IN THE LONG RUN WOULD PROVE INADEQUATE, THAT A FUTURE DECLINE IN STERLING'S INTERNATIONAL VALUE WOULD TAKE PLACE, AND THAT CONSERVATIVES SHOULD BE ALERT TO THE POSSIBILITY OF GENERAL ELECTIONS AT SHORT NOTICE.

8. COMMENT: THE GOVERNMENT HAS STILL TO ANNOUNCE EXACTLY HOW THE CHANCELLOR'S STATEMENT OF LAST WEEK WILL BE PRESENTED TO PARLIAMENT FOR ITS ENDORSEMENT. CONSERVATIVE TACTICS ARE TO REMAIN FLEXIBLE IN THE MEANTIME. THOUGH LIMITED OFFICIAL USE

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THE CONSERVATIVES SEEM COMMITTED TO SUPPORTING CUTS STRONGLY, THE REVENUE-RAISING PORTION OF THE CHANCELLOR'S PROPOSALS IS AN INCREASINGLY DIFFICULT MEASURE FOR THE CONSERVATIVES TO ACCEPT.

9. IT SEEMS INCREASINGLY LIKELY THAT THE ISSUE WILL BE DEBATED TUESDAY OF NEXT WEEK (AUGUST 3) AND WE EXPECT AN ANNOUNCEMENT TO THAT EFFECT THIS WEEK. ALTHOUGH THE LEFT

CONTINUES VOCAL IN OPPOSING EXPENDITURE CUTS, THE LEFT, OTHER THAN POSSIBLY THE TWO SCOTTISH LABOR PARTY REPRESENTATIVES, WILL NOT OPPOSE THE GOVERNMENT ON A VOTE OF CONFIDENCE.

10. MORE IMMINENT IS THURSDAY'S VOTE ON NATIONALIZATION. THE PROSPECT IS FOR A CLOSE VOTE, FOR BOTH SIDES TO BE FORCED AGAIN TO BRING IN THEIR AILING MEMBERS, AND FOR A RESUMPTION OF PAIRING FOR THE SICKEST MEMBERS. SHOULD THE GOVERNMENT BE DEFEATED, IT MAY WELL HAVE TO RESORT TO A SEPARATE VOTE OF CONFIDENCE BECAUSE OF THE HIGH PRIORITY IT HAS PLACED ON PASSING THE BILL.

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